

PUBLIC DISCLOSURE

NOVEMBER 22, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**MASS BAY CREDIT UNION
147 WEST FOURTH STREET
SOUTH BOSTON, MA 02127**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its assessment area, including low and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its membership.

This document is an evaluation of the CRA performance of **Mass Bay Credit Union** (or the "Credit Union"), prepared by the Division, the institution's supervisory agency, as of November 22, 2010. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$265 million, Mass Bay Credit Union's overall CRA performance is considered Satisfactory. An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The rating of this institution is established upon a review of the Performance Criteria, as shown below in the public evaluation.

- The Credit Union's net loan-to-share ratio for the previous twelve quarters is reasonable given the Credit Union's size, financial condition, and the credit needs of its assessment area.
- The Credit Union demonstrates an adequate penetration among individuals of different income levels, given the demographics of the assessment area.
- The geographic distribution of the Credit Union's loans reportable under the Home Mortgage Disclosure Act ("HMDA") and consumer loans reflects a reasonable dispersion throughout the assessment area.
- Fair lending policies and practices are considered satisfactory. No weight was given to complaints, as none have been received by the Credit Union since the prior examination.

PERFORMANCE CONTEXT

Description of Institution

Mass Bay Credit Union was chartered by the Commonwealth of Massachusetts in 1936. Established to promote thrift among employees of the Mass Bay Transit Authority, the Credit Union has expanded its membership to include persons employed by the Massachusetts Department of Transportation and all offices and divisions within such department, their families, and members of the South Boston community. As an industrial/community credit union, Mass Bay Credit Union is member-oriented and is committed to ascertaining and meeting the credit needs of all its membership as well as the community of South Boston.

The Credit Union operates four full service offices. Its main office is located on 147 West Fourth Street, South Boston, Massachusetts 02127. The Credit Union's three branch offices are located at the Quincy Center MBTA station, Quincy; the Wellington MBTA Station, Medford; and the Weston Branch at 668 South Avenue, Weston. The Credit Union also operates eleven automated teller machines (ATM) which are connected to the NYCE, Cirrus Discover, American Express, Honor, Pulse/Visa and Master Charge and SUM networks. The ATM locations include: 147 West Fourth Street, South Boston; 500 Arborway, Jamaica Plain; 275 Dorchester Avenue, South Boston; 21 Arlington Street, Charlestown; 80 Broadway, Everett; 10 Park Plaza, 2nd Floor, Boston; 325 Grove Street, Newton; 1181 Hancock Street, Quincy; Wellington MBTA Station, Medford; 240 Southamptton Street, Boston; and 985 Western Avenue, Lynn. The Credit Union's office locations, ATM machines and banking hours are considered convenient and accessible to its members. The Credit Union also offers 24-hour online banking to its membership via its website at www.massbaycu.org.

The Credit Union offers its membership a variety of deposit and loan products including: share and club savings accounts, personal and business checking accounts, and individual retirement accounts. Additionally, the Credit Union originates home mortgage loans, new and used automobile loans and secured and unsecured personal loans. The Credit Union's rates, and terms and conditions are competitive with other credit unions of similar size and type.

As of September 30, 2010, the Credit Union had assets of \$183.9 million, while loans comprised approximately 71.9 percent of all assets, for a total of approximately \$132.3 million. The loan portfolio is composed of residential mortgages, personal, new and used auto loans, and lines of credit. The largest portion of the loan portfolio is comprised of first mortgage loans which represent 64.5 percent.

The following table illustrates the composition of the loan portfolio.

Loan Distribution as of September 30, 2010		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
First Mortgage Loans	85,372	64.5
Other Unsecured Loans/ Lines of Credit	18,118	13.7
Other Real Estate Loans/ Lines of Credit	16,497	12.5
New Vehicle Loans	6,066	4.6
Used Vehicle Loans	5,103	3.9
Other Loans/ Lines of Credit	1,177	0.8
Total Loans	132,333	100.0

Source: September 30, 2010 Consolidated Report of Condition and Income

The Credit Union was last examined for compliance with CRA by the Division on January 14, 2004. That examination resulted in a CRA rating of "Satisfactory."

There are no apparent financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its members.

Description of Membership and Assessment Area

The Credit Union currently has 16,050 members. As previously noted, the Credit Union has expanded its membership beyond employees of the MBTA. The amendment relative to membership eligibility which includes all employees of the Massachusetts Department of Transportation was approved March 2010. The amendment relative to membership eligibility proposing to add membership for those that work and/or live in the South Boston community was approved March 2003.

A breakdown of the Credit Union's membership shows that 97.5 percent have some form of employment connection, whether it is a family member or member of another MBTA-affiliated profession. A small percentage, 2.5 percent, are community members based in the South Boston area. Despite expanding its market scope, the Credit Union maintains close to 90 percent of its membership from its original membership, MBTA employees and their families. While the Credit Union demonstrates a strong penetration among MBTA employees, the expanded market scope has yet to substantially increase membership in the Credit Union.

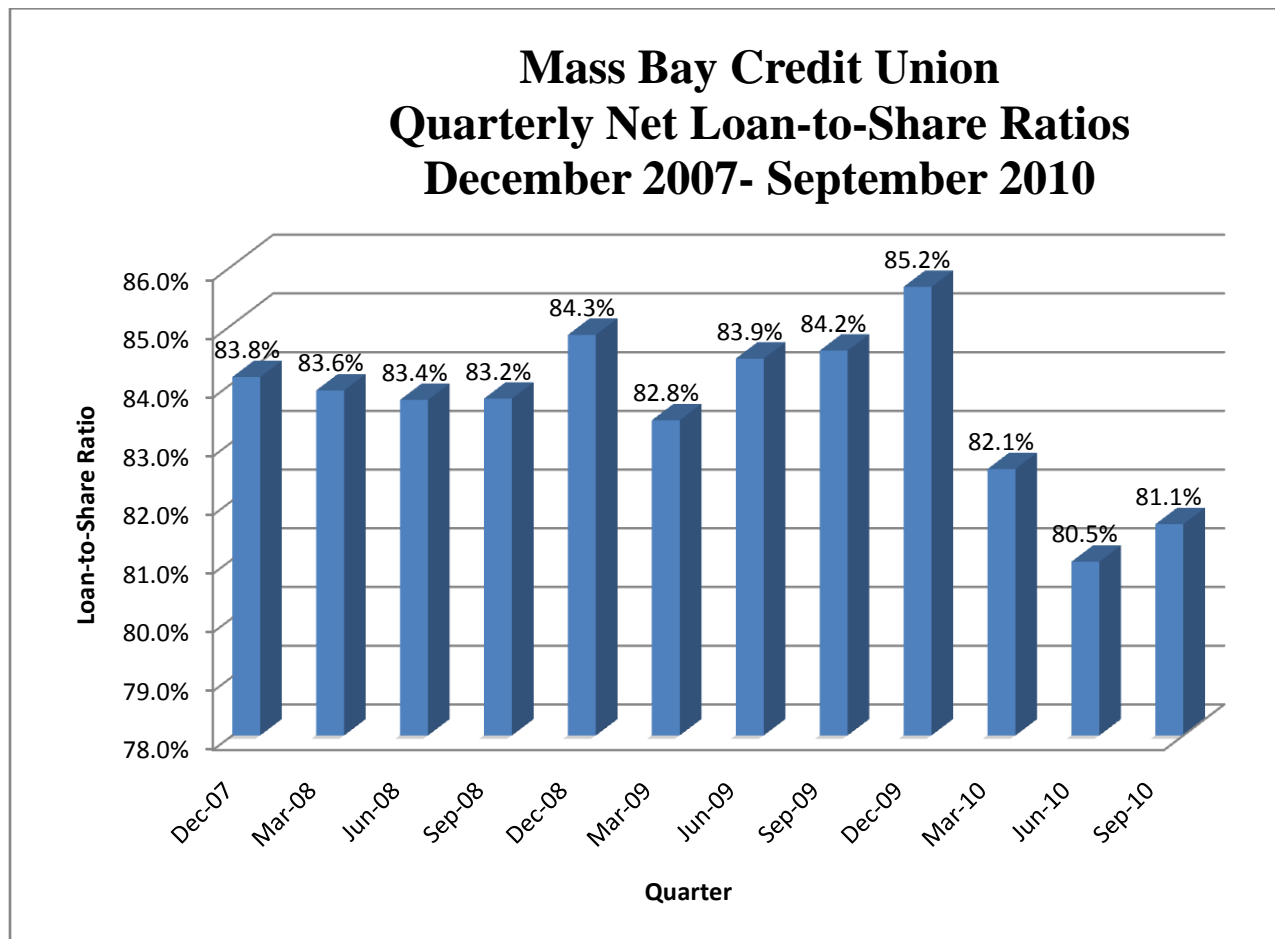
The Credit Union's by-laws allow membership for those who live and or work in South Boston. The assessment area contains 7 census tracts. Of those tracts, 2 or 28.6 percent are low-income, 1 or 14.3 percent is moderate-income and 4 or 57.1 percent are middle-income.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

An analysis of Mass Bay Credit Union's net loan-to-share ratio was performed during the examination. The calculation incorporated twelve quarterly periods of the Credit Union's net loan to total share figures utilizing the National Credit Union Administration ("NCUA") 5300 Call Reports. This review included the quarters ending December 31, 2007 through September 30, 2010. The analysis was conducted to determine the extent of the Credit Union's lending compared to shares received from its membership. The Institution's average net loan-to-share ratio during this period was determined to be 83.2 percent.

The following graph illustrates the loan-to-share trends:



Source: NCUA Call Reports

In comparison to the average loan-to-share ratio of 88.4 percent for the prior examination period, the Credit Union's current ratio of 83.6 percent indicates a decrease in this ratio between examination periods. Since the last examination, deposits have increased by 6 percent while loans have only increased by 2.8 percent.

The following table displays the Credit Union in comparison to other credit unions of similar asset size and membership composition. The ratios and asset sizes are based on the September 30, 2010 Call Report.

COMPARATIVE NET LOAN TO TOTAL SHARE RATIOS		
Institutions	Total Assets	Net LTS Ratios
Members Plus Credit Union	\$215,676,019	83.3%
First Priority Credit Union	\$152,879,808	67.9%
Industrial Credit Union	\$142,339,039	69.9%
Mass Bay Credit Union	\$183,960,381	81.1%

Source: NCUA Call Reports

Based on the foregoing information, the Credit Union's asset size and resources, and the credit needs of its members, the Credit Union's net loan-to-share ratio meets the standards for satisfactory performance.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential mortgage loans extended within the Credit Union's assessment area to borrowers of various income levels was conducted. The majority of Mass Bay Credit Union membership resides within the Boston Metropolitan Statistical Areas (MSA). However, the membership base also includes members who are residents of other MSAs located within Massachusetts. Originations were categorized by the ratio of the applicant's reported incomes to the 2008 and 2009 median family incomes of the MSAs where the members live.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Residential Lending

The following table presents the HMDA-reportable loans the Credit Union originated in 2008 and 2009 categorized by the applicants' reported income.

DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME						
Median Family Income Level	Credit Union 2008		Credit Union 2009		Credit Union Total	
	#	%	#	%	#	%
Low	4	5.2	3	2.3	7	3.4
Moderate	18	23.4	19	14.5	37	17.8
Middle	26	33.8	56	42.7	82	39.4
Upper	29	37.6	53	40.5	82	39.4
Total	77	100.0	131	100.0	208	100.0

Source: HMDA/LAR Data for 2008 and 2009

The Credit Union's 2010 HMDA data was also analyzed for trends. The Credit Union originated 104 loans in 2010, a decrease of 20.6 percent from the prior year. While there was a decrease in loan volume, the Credit Union did increase its lending to low and moderate-income borrowers. In 2010, the Credit Union originated 5 loans to low income borrowers and 28 loans to moderate-income borrowers representing 4.8 and 26.9 percent respectively.

As the significant majority of the Credit Union's membership is based on employment, comparison of distribution of lending based on a specific geographic designation would not be accurate. The Credit Union's performance reflects a positive trend and a willingness to provide loan products to borrower's of all income levels, reflecting reasonable performance.

Consumer Lending

An analysis of consumer lending by borrower income was also conducted. As in the case of the Credit Union's HMDA reportable lending, the borrowers' reported incomes for 2008 and 2009 were compared to the median family incomes for their respective MSAs.

The consumer lending review was conducted utilizing internally generated reports compiled by the Credit Union. The loan sample consisted of secured, unsecured, and new and used automobile loans. The sample included twenty-five loans from 2008 and twenty-five loans from 2009. The fifty loans sampled totaled \$494,129. The following table indicates the Credit Union's performance in lending to borrowers of different income.

Distribution Of Consumer Loans by Borrower Income						
Median Family Income Level	2008		2009		Total	
	#	%	#	%	#	%
Low	3	12.0%	2	8.0%	5	10.0%
Moderate	6	24.0%	9	36.0%	15	30.0%
Middle	14	56.0%	13	52.0%	27	54.0%
Upper	2	8.0%	1	4.0%	3	6.0%
Total	25	100.0%	25	100.0%	50	100.0%

Source: Internally Generated Reports

As shown in the above table, 10 percent of the Credit Union's consumer loans were originated to low-income borrowers. In addition, 30 percent of the Credit Union's sample was originated to moderate-income borrowers. It should be noted that consumer loans typically consider the income of only one borrower. Therefore, the percentage of loans to low- and moderate-income borrowers is higher than that of residential mortgage originations, where the income is usually the result of joint combined incomes. Nevertheless, it appears that the Credit Union is helping to meet the need of its members, particularly those of low and moderate-income. Based upon the Credit Union's performance in lending to borrowers of different incomes, the Credit Union meets the standards for satisfactory performance.

3. GEOGRAPHIC DISTRIBUTION OF LOANS

As previously noted, the defined assessment area of South Boston only represents a small percentage of the Credit Union's overall membership. The majority of members consist of MBTA employees and their families. As membership is not predominantly based on a defined geographic assessment area, a comparison based on such an area was not conducted.

4. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. Since the previous examination, the Credit Union received no complaints pertaining to the institution's CRA performance.

The Credit Union's marketing activity includes placing information on its credit products and services in public view within the main lobby of its main office, branches and offices where its members are employed. The Credit Union also includes "statement stuffers" in correspondence sent to the membership, and brochures are located in the Credit Union's lobby. The Credit Union has established a website, massbaycu.org, where members can access information regarding services and loan products.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Credit Union received from minority applicants. Between January 1, 2008, and December 31, 2009, the Credit Union received a total of 284 residential loan applications. During this period, 36 credit applications were received from racial minority applicants. This number of applications represented 12.7 percent of total applications for the two-year period. Of the total applications received from racial minority applicants, 52.8 percent resulted in an origination. Of the 8 applications received from ethnic minority applicants, 37.5 percent resulted in an origination. The 8 applications represented 2.9 percent of total applications.

As noted previously, comparison to other lender or a specific geography is not utilized because of the nature of the Credit Union's membership. However, using the entire state as a proxy, the Credit Unions percentages of 12.7 and 2.9 described above compare favorably to the aggregate of 7.4 and 2.3, respectively, for the state as a whole.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 147 West Fourth Street, Boston, MA 02127."

- 4) Provide a copy of its current evaluation to the public, upon request. The institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.